



U.S. Department of Housing and Urban Development

Honolulu Field Office – Region IX  
500 Ala Moana Boulevard, Suite 3A  
Honolulu, Hawaii 96813  
<http://www.hud.gov>  
<http://www.espanol.hud.gov>

DECEMBER 27 2006

*myra*  
*to: Holly K*  
*188413*

Ms. Mary P. Waterhouse  
Director  
Department of Budget and Fiscal Services  
City and County of Honolulu  
530 South King Street, Room #208  
Honolulu, HI 96813

DIRECTOR OF BUDGET  
& FISCAL SERVICES  
C.C. OF HONOLULU

06 DEC 28 A9:19

Dear Ms. Waterhouse:

SUBJECT: Final Annual Community Assessment Report  
Program Year 2005

This is in response to Mayor Hannemann's letter of November 27, 2006, which responded to HUD's Annual Community Assessment (ACA) report. HUD appreciates the clarification and additional information provided by the City on the issues pertaining to its CPD programs. The City may consider the report final and make it available to the public using your standard notification process.

If you have any questions, please call Marsha Ito, Community Planning and Development Representative, at 522-8180, extension 262.

Sincerely,

Mark A. Chandler, Director  
Office of Community Planning  
and Development

cc:

Ms. Holly Kawano  
Federal Grants Coordinator  
Department of Budget and Fiscal Services  
City and County of Honolulu  
530 South King Street, Room #208  
Honolulu, HI 96813

OFFICE OF THE MAYOR  
**CITY AND COUNTY OF HONOLULU**  
530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAII 96813  
PHONE: (808) 523-4141 • FAX: (808) 527-5552

BFS-CDBG  
Susan Nolan  
(181768-CDBG)  
(182027 Mayor's)

MUFI HANNEMANN  
MAYOR



November 27, 2006

Mr. Mark A. Chandler, Director  
Community Planning  
and Development Division  
U.S. Department of Housing  
and Urban Development  
Hawaii State Office  
500 Ala Moana Blvd., Suite 3A  
Honolulu, Hawaii 96813

Dear Mr. Chandler:

This responds to your letter of November 8, 2006, which transmitted the Annual Community Assessment (ACA) Report Program Year 2005 to the City. While we are pleased that HUD has approved the submission of the Consolidated Annual Performance and Evaluation Report (CAPER) and has assessed the City as meeting the intent of the Community Planning and Development (CPD) programs, there are some items in the ACA Report that we wish to comment on.

**CDBG**

Concern was expressed that there was little activity during the program year for the Kahuku Neighborhood Revitalization Strategy Area (NRSA) and its Community Based Development Organization (CBDO), Kahuku 2000. The City acknowledges that progress with this organization and NRSA area has been slower than anticipated and a letter was recently sent to the organization to determine ways in which we may assist them to meet their stated goals. The City will also request that Empower Oahu (EO), which helps facilitate the establishment and continuing development of NRSAs on Oahu, assist Kahuku 2000. City staff will continue to provide guidance and monitoring of the organization.

## **ESG**

During a monitoring earlier this year, HUD detected some weaknesses in certain aspects of the City's administration of the ESG program. The City takes such findings very seriously and has worked closely with its sponsors to correct these deficiencies in documentation and access to services. While some findings remain open at this time, we are satisfied that both the City's and our sponsors' policies and procedures have improved and that remaining issues will soon be resolved.

## **COMMUNITY EMPOWERMENT**

Although the City reported that no oral or written comments were received during Citizen Participation meetings, the City nevertheless received assistance from the community during discussions of the current Action Plan. Members of the public are always welcome to provide their comments at meetings of the Honolulu City Council. This past year, we saw many representatives from the nonprofit community provide testimony when program priorities and funding were on the agenda.

Additional opportunities for public involvement come as City staff regularly attend community meetings and events; hold a well-attended annual training for new subrecipients; and communicate with existing subrecipients through site visits, telephone calls and email.

## **AREAS FOR IMPROVEMENT AND RECOMMENDATIONS**

As recommended, the City continues to strengthen its internal controls and identify project obstacles. During the past year we have developed guidelines for managing CDBG-funded public facilities and HOME-funded housing projects as a resource for recipients and subrecipients. We have also refined our Request For Proposal (RFP) procedure to ensure greater accountability and a more transparent process. Changes included a prequalification round and a joint selection committee comprising community representatives nominated by both the City Council and the Administration.

Mr. Mark A. Chandler  
November 27, 2006  
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In closing, I would like to thank you for the professional and courteous assistance of both you and your staff in helping us fulfill our obligations under the CPD programs. I look forward to continuing to work with you in the future.

If you need additional information or have any questions regarding our comments, please call Holly Kawano, Federal Grants Coordinator at 527-5062.

With warm regards and aloha,

Yours truly,



Mufi Hannemann  
Mayor



U.S. Department of Housing and Urban Development

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Honolulu, Hawaii 96813  
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NOVEMBER 8 2006

The Honorable Mufi Hannemann  
Mayor  
City and County of Honolulu  
530 South King Street  
Honolulu, HI 96813

Dear Mayor Hannemann:

SUBJECT: Annual Community Assessment (ACA) Report  
Program Year 2005

Enclosed is HUD's ACA Report on the City and County of Honolulu's (City's) performance in Program Year 2005. The report reflects the City's efforts to ensure HUD program compliance. Should the City wish to comment on the ACA report, please provide comments within 30 days of the date of this letter. If the City does not desire to comment on the report or fails to comment within the timeframe identified above, please consider the report final and make it available to the public using your standard notification process.

If you have any questions regarding our comments, please call me at 808-522-8180, extension 264, or Marsha Ito, Community Planning and Development Representative, at the same number, extension 262.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark A. Chandler".

Mark A. Chandler, Director  
Office of Community Planning  
and Development

Enclosure

cc:

Ms. Mary P. Waterhouse (w/enclosure)  
Director  
Department of Budget and Fiscal Services  
City and County of Honolulu  
530 South King Street, Room #208  
Honolulu, HI 96813

Ms. Deborah K. Morikawa (w/enclosure)  
Director  
Department of Community Services  
City and County of Honolulu  
715 South King Street, Suite 311  
Honolulu, HI 96813

Ms. Holly Kawano (w/enclosure)  
Federal Grants Coordinator  
Department of Budget and Fiscal Services  
City and County of Honolulu  
530 South King Street, Room #208  
Honolulu, HI 96813

## **ANNUAL COMMUNITY ASSESSMENT REPORT**

**City and County of Honolulu**  
**Program Year: July 1, 2005 to June 30, 2006**

### **HUD Point of Contact:**

Ms. Marsha E. Ito  
CPD Representative  
Office of Community Planning  
and Development  
HUD Honolulu Field Office  
500 Ala Moana Boulevard, Suite 3A  
Honolulu, HI 96813  
(808) 522-8180, x262

### **City Point of Contact:**

Ms. Holly Kawano  
Federal Grants Coordinator  
Department of Budget and Fiscal  
Services  
City and County of Honolulu  
530 South King Street, Room #208  
Honolulu, HI 96813  
(808) 527-5062

### **Introduction**

The Housing and Community Development Act of 1974, as amended, and the National Affordable Housing Act of 1990, require federal grant recipients receiving federal assistance under the Act to submit an annual performance report disclosing the status of grant activities. The Department of Housing and Urban Development (HUD) is required by 24 CFR 91.525 to determine whether the grant recipient is in compliance with the statutes, and has the continuing capacity to implement and administer the programs for which assistance is received. In accordance with 24 CFR 91.525, HUD's comments below, and the cover letter above, incorporate the Department's assessment of the City and County of Honolulu's (City's) Program Year 2005 performance.

In assessing the City's performance, HUD relied primarily upon the City's Program Year 2005 Consolidated Annual Performance and Evaluation Report (CAPER), technical assistance, on-site monitoring, and communications with the City's federal programs staff. During this period, the City generally met the intent of the Community Planning and Development (CPD) programs, which include, but are not limited to, the Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) programs.

### **Significant Performance Conclusions**

Overall, the City has generally been successful in the management of its CPD programs, which includes the CDBG, HOME, ESG and HOPWA programs. In accordance with the CDBG regulations, the timeliness ratio benchmark should be 1.50 sixty days prior to the end of the City's program year. The City's CDBG timeliness ratio was 1.30 as of May 2, 2006. As the City was on a workout agreement due to noncompliance with the timeliness standard in its prior

program year, HUD commends the City staff for its hard work and efforts in bringing the City's timeliness ratio into compliance at the May 2, 2006, test date. The City's staff worked diligently to meet each minimum monthly expenditure standard, implement new Request for Proposal procedures, shorten the period to process its subrecipient agreements with its non-profits, and reprogram funds not obligated by established deadlines. HUD's congratulates the City on its accomplishments and encourages the City to continue seeking ways for timely project implementation.

## **CPD Programs**

### **CDBG**

The City completed several CDBG activities during Program Year 2005, which included funding affordable housing projects, various public facilities and services, and economic development activities. The City's management of its CDBG program has ensured that low- and moderate-income persons will primarily benefit and receive program assistance.

The City's Consolidated Plan describes the following four priority concerns that will be addressed through the CDBG program: housing and special needs housing, homelessness, community development, and fair housing. HUD notes that the City has surpassed some of its goals, such as in the areas of providing funding for affordable housing, improving public facilities for persons with disabilities and the elderly, and providing various services to low- and moderate persons. The City made progress but did not accomplish some of its goals, such as assisting communities to develop strategic plans for possible NRSA designations, and providing gap/equity financing to developers of affordable rental housing. Overall, the City has been successful in implementing activities that utilize CDBG funding and HUD looks forward to the City's continued efforts and success.

HUD notes the various activities undertaken by the City's three Neighborhood Revitalization Strategy Areas (NRSAs). HUD is concerned, however, that there was little activity during the program year for the Kahuku NRSA, and recommends the City provide guidance and monitor Kahuku 2000, the CBDO for the Kahuku NRSA, as needed. It is encouraging that the Aiea/Makalapa and Wahiawa areas have been identified as potential NRSAs, and that other areas are developing community strategic plans, the first step towards a NRSA designation.

During February 7-9, 2006, HUD conducted an on-site monitoring review of the City's CDBG program. HUD found the City to be in compliance with the cap requirements for its public service and administrative activities for the past three years. In addition, the City has adequate procedures in place to track obligations for its public service activities to ensure the annual cap is not exceeded. However, there was a finding of non-compliance in the documentation of the City's use of administrative funds. The City satisfactorily addressed all issues and the finding was closed on July 28, 2006.



As stated above, HUD congratulates the City on meeting the timeliness standard as required by the CDBG regulation, and is confident that the implemented changes will assist the City in achieving future timeliness requirements.

### **HOME**

The City is expending its HOME funds toward projects that will assist low- and moderate-income persons. HOME funds are required to be committed within 24 months and expended within 60 months of the grant award. Failure to commit and expend funds within the required time period will result in the deobligation of the funds. During this period, the City met the commitment and expenditure requirements within the required time periods.

During the program year, the City far exceeded its goal of assisting low- and moderate-homeowners with low-interest loans to repair hazardous conditions to their homes, and in providing down payment and closing costs loans to low- and moderate-income homebuyers. HUD understands the challenges of implementing new housing construction projects due to its high costs and encourages the City to continue its leveraging of other federal, state, and private resources to supplement its HOME allocations to further develop affordable housing projects on Oahu.

### **ESG**

The City supported a number of homeless shelters and providers during the program year. The City's support has ensured that the City's homeless are given an opportunity to become self-sufficient. HUD encourages the City to continue its support of its homeless providers.

During January 24-26, 2006, HUD conducted an on-site monitoring review of the City's ESG program. The City is generally implementing a successful ESG program for its homeless population. The City has adequate procedures in place for subrecipient management, financial management and oversight. However, HUD found weaknesses in documentation of homelessness, in ensuring the programs are readily accessible to and usable by persons with disabilities, and in timely expenditure of ESG funding. There are findings are still open; however, the City is making continual progress towards final resolution and HUD anticipates resolving the remaining issues soon.

### **HOPWA**

The City distributes its HOPWA allocation to the Gregory House Programs and Life Foundation who provide rental assistance, emergency rental assistance, and supportive services to individuals with HIV/AIDS. HUD recognizes that the City has assisted more individuals than anticipated and has expended its HOPWA funds timely. HUD encourages the City to continue its successful administration of its HOPWA program.

City staff attended the HOPWA training held in April 2006. The training was on the newly revised HOPWA performance reports and specifically focused on new data elements such as outcomes on housing stability and access to care and support. Although use of the new format

was optional for the 2005 CAPER, it will be required for the 2006 CAPER submission. It is recommended that the City prepare a separate HOPWA narrative incorporating the new reporting items, and include it in an expanded executive summary.

### **Continuum of Care**

The City continues to develop and strengthen its Continuum of Care program. The City is a participant in the Hawaii Interagency Council on Homelessness, whose goal is to develop a plan to more comprehensively integrate a system of housing and services to assist individuals who are chronically homeless. During Program Year 2005, the City has addressed its permanent supportive housing programs through the Institute for Human Services' Shelter Plus Care program which will place chronically homeless persons into permanent housing in the community, and the Steadfast Housing Development Corporation's Shelter Plus Care program which provides rental assistance and supportive services to homeless persons with disabilities. In addition, the City's 2006 Continuum of Care application includes two additional new permanent supportive housing programs, transitional housing, and shelters for victims of domestic violence. HUD wishes the City and the Partners in Care continued success in implementing actions to end homelessness.

### **Community Empowerment**

As part of its Consolidated Plan, the City developed a Citizen Participation Plan. The Plan is intended to develop ways to involve the public in the development of the Consolidated Plan/Action Plan. Opportunities were provided for citizen participation in the development of the Plan and performance report through public hearings. The City reported that no oral or written comments were received. HUD encourages the City to continue its efforts to foster public participation and encourage the City to explore additional opportunities to involve the public in its planning process.

### **Management of Funds**

In accordance with the CDBG regulations, the timeliness ratio benchmark should be 1.50 or below, 60 days prior to the end of the City's program year. On the test date of May 2, 2006, the City's timeliness ratio was 1.30. The staff responsible for the CPD programs work diligently to ensure HUD funding is spent in accordance with program requirements. As timely project implementation and expenditure of funds have become a priority with HUD, the Department is pleased that the City has made it a priority to maintain a timeliness ratio of 1.5 or less. HUD anticipates the City will continue to achieve the timeliness goals and that these efforts will ensure future CDBG funding will not be compromised.

### **Areas for Improvement and Recommendations**

The City needs to continue its efforts to strengthen internal controls and carefully monitor the CPD programs to ensure that projects are timely and funds are protected from fraud, waste, and abuse. HUD recommends that the City identify project obstacles and develop plans to address these obstacles in order to strengthen its programs.

**Fair Housing & Equal Opportunity**

HUD notes that the City's Analysis of Impediments (AI) was completed in 2003-2004, with an update to the AI scheduled for 2006-2007. HUD encourages the City to continue its activities that address the impediments identified in the AI document. The CAPER was forwarded to Mr. Jelani Madaraka, Lead Equal Opportunity Specialist, HUD Honolulu Field Office, to review for compliance with Fair Housing and Equal Opportunity requirements. He will forward any comments or questions he may have under separate cover.

**Conclusion**

Overall, the City is meeting its community needs by planning and executing a Consolidated Plan with a vision for the future, and by implementing this Plan through its Annual Action Plan. As a result, the City has assisted the entire community, especially low- to moderate-income individuals. HUD encourages the City to continue its support of various housing and community development programs, and want to recognize the City's staff for their dedication to the CPD programs. The program staff is a credit to the City and its CPD programs.